

SEYMOUR COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2010

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SEYMOUR COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Brent Brown	President	2011
Tracy McMurray	Board Member	2009
Dan Furlin, Jr.	Board Member	2009
Justin Keller	Board Member	2011
James Sandy	Board Member	2011
Board of Education		
(After September 2009 Election)		
Brent Brown	President	2011
Dan Furlin, Jr.	Board Member	2013
Tracy McMurray	Board Member	2013
Justin Keller	Board Member	2011
Jim Sandy	Board Member	2011
School Officials		
Dr. Gary Drummond	Superintendent	2010
Mollie Banks	Business Manager	Indefinite

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Independent Auditor's Report

To the Board of Education of
Seymour Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District, Seymour, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 22, 2010, on my consideration of Seymour Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 9 and 34 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seymour Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Seymour Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,745,380 in fiscal 2009 to \$2,531,939 in fiscal 2010, while General Fund expenditures decreased from \$2,704,175 in fiscal 2009 to \$2,696,647 in fiscal 2010. The District's General Fund balance decreased from \$132,133 in fiscal 2009 to \$(32,586) in fiscal 2010, a 125% decrease.
- The decrease in General Fund revenues was attributable to a decrease in State aid in fiscal 2010. There was an increase in local tax. An emphasis on reduced spending was not enough to offset the decrease in revenues resulting in deficit spending.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Seymour Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Seymour Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Seymour Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 2,150	2,895	21	13	2,171	2,908	-25.34%
Capital assets	1,049	1,076	11	13	1,060	1,089	-2.66%
Total assets	3,199	3,971	32	26	3,231	3,997	-19.16%
Long-term liabilities	100	165	-	-	100	165	-39.39%
Other liabilities	1,635	2,172	6	5	1,641	2,177	-99.40%
Total liabilities	1,735	2,337	6	5	1,741	2,342	-25.66%
Net assets:							
Invested in capital assets, net of related debt	964	911	11	13	975	924	5.52%
Restricted	592	627	-	-	592	627	-5.58%
Unrestricted	(92)	96	15	8	(77)	104	-174.04%
Total net assets	1,464	1,634	26	21	1,490	1,655	-9.97%

The District's combined net assets decreased by nearly 10%, or approximately \$171,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$35,000, or 5%, over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects and PPEL Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$181,000 or 174%. This reduction in unrestricted net assets was primarily a result of a decrease in State Aid during the current year.

Figure A-2 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 160	205	49	58	209	263	-20.53%
Operating grants, contributions and restricted interest	579	523	75	72	654	595	9.92%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,144	1,080	-	-	1,144	1,080	5.93%
Income surtax	76	70	-	-	76	70	8.57%
Local option sales and service tax	141	156	-	-	141	156	-9.62%
Unrestricted intermediate grants	-	22	-	-	-	22	-
Unrestricted state grants	739	996	-	-	739	996	-25.80%
Unrestricted investment earnings	22	9	-	-	22	9	144.44%
Other	8	4	-	-	8	4	100.00%
Total revenues	2,869	3,065	124	130	2,993	3,195	-6.32%
Program expenses:							
Governmental activities:							
Instruction	1,900	1,915	-	-	1,900	1,915	-0.78%
Support services	976	914	-	-	976	914	6.78%
Non-instructional programs	-	-	119	124	119	124	-4.03%
Other expenses	164	160	-	-	164	160	2.50%
Total expenses	3,040	2,989	119	124	3,159	3,113	1.48%
Change in net assets	(171)	76	5	6	(166)	82	-302.44%

In fiscal 2010, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$2.993 million, of which \$2.869 million was for governmental activities and \$124,000 was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 6.2% decrease in revenues and a 1.5% increase in expenses. Property taxes increased \$64,000 and unrestricted state aid decreased \$257,000. Expenditures decreased in the instruction area because of emphasis on reduced spending in every area.

Governmental Activities

Revenues for governmental activities were \$2,869,080 and expenses were \$3,039,925 for the year ended June 30, 2010. In a difficult budget year, the District was unable to balance the budget because of a 10% cut in State aid during the 2009-2010 school year.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$1,900	1,915	-0.78%	1,339	1,296	3.32%
Support services	975	914	6.67%	906	907	-0.11%
Non-instruction	-	-	-	-	-	-
Other expenses	165	160	3.13%	56	58	-3.45%
Total	3,040	2,989	1.71%	2,301	2,261	1.77%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$160,064.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$579,079.
- The net cost of governmental activities was financed with \$1,360,441 in property and other taxes and \$739,478 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$124,701, representing a 4% decrease over the prior year, while expenses totaled \$119,142, a 4% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District maintained meal prices.

INDIVIDUAL FUND ANALYSIS

As previously noted Seymour Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$515,919, below last year's ending fund balances of \$724,693.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of the elimination of Phase I and Phase II state funding, declining enrollment and cuts in State aid totaling \$175,000. The cuts in State funding came after the district had issued certified staff contracts for the 2009-2010 school year.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased because the District purchased equipment and made major repairs to the facilities.
- The Capital Projects Fund balance decreased from \$378,122 in fiscal 2009 to \$341,389 in fiscal 2010. Monies were transferred from capital projects fund to Debt Service Fund to pay required bond payments. The district also purchased a bus and replaced a building roof.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$20,363 at June 30, 2009 to \$25,922 at June 30, 2010, representing an increase of approximately 27%. The District has controlled costs of the program.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$347,113 less than budgeted revenues, a variance of 10%. The most significant variance resulted from the District receiving less State aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1.049 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$93,291.

The original cost of the District's capital assets was \$2.58 million. Governmental funds account for \$2.53 million, with the remainder of \$.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 3	3	-	-	3	3	0.00%
Buildings	880	925	-	-	880	925	-4.86%
Furniture and equipment	166	148	11	13	177	161	9.94%
Total	1,049	1,076	11	13	1,060	1,089	-2.66%

Long-Term Debt

At June 30, 2010, the District had \$85,000 in general obligation debt outstanding. This represents a decrease of approximately -48.5% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4 million.

Figure A-5
Outstanding Long-Term Obligations
(expressed in thousands)

<u>Total</u> <u>District</u>		<u>Total</u> <u>Change</u>
<u>June 30,</u>		<u>June 30,</u>
<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
General obligation bonds	\$85,000 \$165,000	-48.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Wayne County has advised the District that due to revised valuations the District's total taxable valuation will go up \$2,048,000 for property tax collected in fiscal 2011. The property tax levy has been increased to 15.7 from 14.55. This will generate an additional \$134,000 in property tax revenue.
- The deficit spending in the General Fund has been addressed in a variety of methods while still maintaining an environment for student learning and achievement. One full-time and two half-time certified staff positions have been eliminated. Three non-certified staff positions have been eliminated. The Superintendent and Secondary Principal positions were combined as well as the Guidance Counselor and Elementary Principal. The juvenile court liaison and behavioral center services were discontinued. The school nurse was reduced to one day per week. These changes will result in reduced spending of \$265,000.

With increased revenue and reduced spending the District is anticipating a return to a positive General Fund balance at June 30, 2011.

- The District has experienced declining enrollment for the past several years. Enrollment is expected to stabilize for 2010-2011.
- The District continues to operate on a year-to-year collective agreement with the Seymour Education Teachers' Association. Recent negotiated settlements were 0% for fiscal 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mollie Banks, District Secretary/Treasurer and Business Manager, Seymour Community School District, Seymour, Iowa 52590.

Basic Financial Statements

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 570,236	19,201	589,437
Receivables:			
Property tax:			
Delinquent	24,160	-	24,160
Succeeding year	1,274,135	-	1,274,135
Income tax succeeding year	70,177	-	70,177
Accounts	-	-	-
Due from other governments	211,532	-	211,532
Inventories	-	1,943	1,943
Capital assets, net of accumulated depreciation	1,049,284	10,557	1,059,841
Total assets	3,199,524	31,701	3,231,225
Liabilities			
Accounts payable	57,258	-	57,258
Salaries and benefits payable	232,751	4,303	237,054
Accrued interest payable	354	-	354
Deferred revenue:			
Other	-	1,476	1,476
Succeeding year property tax	1,274,135	-	1,274,135
Succeeding year income surtax	70,177	-	70,177
Other liabilities	-	-	-
Long-term liabilities:			
Portion due within one year:			
Bonds payable	85,000	-	85,000
Portion due after one year:			
Bonds payable	-	-	-
Net OPEB liability	15,329	-	15,329
Total liabilities	1,735,004	5,779	1,740,783
Net assets			
Invested in capital assets, net of related debt	963,930	10,557	974,487
Restricted for:			
Categorical funding	44,343	-	44,343
Management levy	126,486	-	126,486
Debt service	23	-	23
Physical plant and equipment levy	7,054	-	7,054
Other special revenue purposes	414,942	-	414,942
Unrestricted	(92,258)	15,365	(76,893)
Total net assets	\$ 1,464,520	25,922	1,490,442

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,260,701	71,700	138,012	-
Special instruction	277,296	75,778	190,700	-
Other instruction	362,083	-	85,195	-
	1,900,080	147,478	413,907	-
Support Service:				
Student services	84,913	-	27,920	-
Instructional staff services	66,480	-	-	-
Administration services	371,843	-	9,908	-
Operating and maintenance of plant services	250,048	-	19,195	-
Transportation services	202,041	12,586	-	-
	975,325	12,586	57,023	-
Non-instructional programs				
	250	-	-	-
Other expenditures:				
Facilities acquisition	47,898	-	-	-
Long-term debt interest	8,243	-	-	-
AEA flowthrough	108,129	-	108,129	-
	164,270	-	108,129	-
Total governmental activities				
	3,039,925	160,064	579,059	-
Business type activities:				
Non-instructional programs:				
Nutrition services	119,142	49,126	75,224	-
	119,142	49,126	75,224	-
Total				
	\$ 3,159,067	209,190	654,283	-

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business type Activities	Total
(1,050,989)	-	(1,050,989)
(10,818)	-	(10,818)
(276,888)	-	(276,888)
(1,338,695)	-	(1,338,695)
(56,993)	-	(56,993)
(66,480)	-	(66,480)
(361,935)	-	(361,935)
(230,853)	-	(230,853)
(189,455)	-	(189,455)
(905,716)	-	(905,716)
(250)		(250)
(47,898)	-	(47,898)
(8,243)	-	(8,243)
-	-	-
(56,141)	-	(56,141)
(2,300,802)	-	(2,300,802)
-	5,208	5,208
	5,208	5,208
(2,300,802)	5,208	(2,295,594)

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Program Revenues		
	Charges for	Operating	Capital Grants,
	Service	Grants,	Contributions
		Contributions	and Restricted
		and Restricted	Interest
Expenses		Interest	Interest
Continued from previous page			
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Local option sales and services tax			
Unrestricted intermediate grants			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business type Activities	Total
1,143,806	-	1,143,806
-	-	-
-	-	-
75,933	-	75,933
140,702	-	140,702
-	-	-
739,478	-	739,478
21,932	351	22,283
8,106	-	8,106
2,129,957	351	2,130,308
(170,845)	5,559	(165,286)
1,635,365	20,363	1,655,728
1,464,520	25,922	1,490,442

SEYMOUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets and Other Debits					
Cash and pooled investments	\$ 69,995	23	291,969	208,249	570,236
Receivables:					
Property tax:					
Current year delinquent	22,355	-	-	1,805	24,160
Succeeding year	1,187,229	-	-	86,906	1,274,135
Income tax succeeding year	70,177	-	-	-	70,177
Accounts	-	-	-	-	-
Due from other governments	159,729	-	51,803	-	211,532
Total assets	1,509,485	23	343,772	296,960	2,150,240
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	51,914	-	2,383	2,961	57,258
Salaries and benefits payable	232,751	-	-	-	232,751
Deferred revenue:					
Grants	-	-	-	-	-
Succeeding year property tax	1,187,229	-	-	86,906	1,274,135
Succeeding year income surtax	70,177	-	-	-	70,177
Other liabilities	-	-	-	-	-
Total liabilities	1,542,071	-	2,383	89,867	1,634,321
Fund balances:					
Reserved for:					
Debt service	-	23	-	-	23
Categorical funding	44,343	-	-	-	44,343
Unreserved, reported in:					
General fund	(76,929)	-	-	-	(76,929)
Special revenue funds	-	-	-	207,093	207,093
Capital projects fund	-	-	341,389	-	341,389
Total fund balances	(32,586)	23	341,389	207,093	515,919
Total liabilities and fund balances	\$ 1,509,485	23	343,772	296,960	2,150,240

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances of governmental funds (pg. 16)	\$ 515,919
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,049,284
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(354)
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Long-term liabilities, including bonds payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(100,329)</u>
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Net assets of governmental activities (pg. 10)	<u><u>\$ 1,464,520</u></u>
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See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Debt Service	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 1,134,370	-	140,702
Tuition	147,478	-	-
Other	39,053	4	19,371
Intermediate	9,195	-	-
State sources	859,634	-	-
Federal sources	341,684	-	-
Total revenues	2,531,414	4	160,073
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,256,701	-	4,000
Special instruction	277,296	-	-
Other instruction	257,614	-	-
	1,791,611	-	4,000
Support services:			
Student services	84,913	-	-
Instructional staff services	66,480	-	-
Administration services	286,466	-	-
Operation and maintenance of plant services	204,391	-	-
Transportation services	154,407	-	66,222
	796,657	-	66,222
Non-instructional programs	250	-	-
Other expenditures:			
Facilities acquisition	-	-	38,014
Long-term debt:			
Principal	-	80,000	-
Interest and fiscal charges	-	8,570	-
AEA flowthrough	108,129	-	-
	108,129	88,570	38,014
Total expenditures	2,696,647	88,570	108,236
Excess (deficiency) of revenues over (under) expenditures	(165,233)	(88,566)	51,837
Other financing sources:			
Operating transfers in	-	88,570	-
Operating transfers out	-	-	(88,570)
Sale of building	525	-	-
Total other financing sources	525	88,570	(88,570)
Net change in fund balances	(164,708)	4	(36,733)
Fund balances beginning of year	132,122	19	378,122
Fund balances end of year	¹⁷ \$ (32,586)	23	341,389

See notes to financial statements.

Nonmajor Special Revenue	Total
85,369	1,360,441
-	147,478
91,695	150,123
-	9,195
-	859,634
-	341,684
177,064	2,868,555

-	1,260,701
-	277,296
104,469	362,083
104,469	1,900,080

-	84,913
-	66,480
70,048	356,514
-	204,391
-	220,629
70,048	932,927

-	250
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9,884	47,898
-	80,000
-	8,570
-	108,129
9,884	244,597
184,401	3,077,854

(7,337) (209,299)

-	88,570
-	(88,570)
-	525
-	525

(7,337) (208,774)

214,430	724,693
207,093	515,919

SEYMOUR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances-total governmental funds (pg. 19)

**Amounts reported for governmental activities in the
Statement of Activities are different because:** (208,774)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	66,222	
Depreciation expense	(93,291)	(27,069)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	80,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	327
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Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(15,329)
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Change in net assets of governmental activities (pg. 14)	\$ (170,845)
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See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 19,201
Inventories	1,943
Capital assets, net of accumulated depreciation	<u>10,557</u>
Total assets	<u>31,701</u>
Liabilities	
Salaries and benefits payable	4,303
Deferred revenue	<u>1,476</u>
Total liabilities	<u>5,779</u>
Net Assets	
Invested in capital assets, net of related debt	10,557
Unrestricted	<u>15,365</u>
Total net assets	<u><u>\$ 25,922</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 49,126</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	47,811
Benefits	8,872
Purchased services	-
Supplies	60,352
Depreciation	<u>2,107</u>
Total operating expenses	<u>119,142</u>
Operating loss	<u>(70,016)</u>
Non-operating revenues:	
State sources	1,237
Federal sources	73,987
Local sources	<u>351</u>
Total non-operating revenues	<u>75,575</u>
Net income	5,559
Net assets beginning of year	<u>20,363</u>
Net assets end of year	<u><u>\$ 25,922</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of meals	\$ 49,202
Cash payments to employees for services	(56,620)
Cash payments to suppliers for goods or services	(50,123)
Net cash used by operating activities	<u>(57,541)</u>
State grants received	1,237
Federal grants received	63,045
Net cash provided by non-capital financing activities	<u>64,282</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>351</u>
Net increase in cash and cash equivalents	7,092
Cash and cash equivalents at beginning of year	<u>12,109</u>
Cash and cash equivalents at end of year	<u><u>19,201</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(70,016)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	10,942
Depreciation	2,107
Increase in inventory	(713)
Increase in payables	63
Increase in deferred revenue	76
Net cash used by operating activities	<u><u>(57,541)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$10,942

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 166,467</u>
Total assets	<u><u>166,467</u></u>
Liabilities	
Accounts payable	-
Total liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>166,467</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 45,729
Interest income	7,228
Total additions	<u>52,957</u>
Deductions:	
Support services:	
Scholarships awarded	10,000
Fees	15
	<u>10,015</u>
Change in net assets	42,942
Net assets beginning of year	<u>123,525</u>
Net assets end of year	<u><u>\$ 166,467</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

Seymour Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Seymour and Promise City, Iowa, and the predominate agricultural territory in Wayne and Appanoose Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Seymour Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Seymour Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvement other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$21,921, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Debt Service	Capital Projects	<u>\$88,570</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The District did not have any advances from ISCAP during 2009-2010.

(5) Capital Assets

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,150	-	-	3,150
Total capital assets not being depreciated	3,150	-	-	3,150
Capital assets being depreciated:				
Buildings	2,013,390	-	-	2,013,390
Improvements other than buildings	-	-	-	-
Furniture and equipment	481,218	66,222		547,440
Total capital assets being depreciated	2,494,608	66,222		2,560,830
Less accumulated depreciation for:				
Buildings	1,088,040	44,925	-	1,132,965
Improvements other than buildings	-	-	-	-
Furniture and equipment	333,365	48,366		381,731
Total accumulated depreciation	1,421,405	93,291	-	1,514,696
Total capital assets being depreciated, net	1,073,203	(27,069)	-	1,046,134
Governmental activities capital assets, net	1,076,353	(27,069)	-	1,049,284
Business type activities:				
Furniture and equipment	21,203		1,673	19,530
Less accumulated depreciation	8,539	2,107	1,673	8,973
Business type activities capital assets, net	12,664	(2,107)	-	10,557
Depreciation expense was charged to the following functions:				
Support services:				
Operation and maintenance				45,657
Transportation				47,634
Total depreciation expense - governmental activities				93,291
Business type activities:				
Food service operations				2,107

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 165,000	-	80,000	85,000	85,000
Net OPEB liability	-	15,329	-	15,329	-
	\$ 165,000	15,329	80,000	100,329	85,000

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 1996				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	5.00%	85,000	4,250	89,250
Total		\$ 85,000	4,250	89,250

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$191,518, \$181,717 and \$173,813 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 26 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statements No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$16,821
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	16,821
Contributions made – implicit	(1,492)
Increase in net OPEB obligation	15,329
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>15,329</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$207,419 to the medical plan. Plan members eligible for benefits contributed \$43,238, or 17% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$16,821	8.87%	\$15,329

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$154,789, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,789. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,510,000 and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Seymour Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$108,129 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SEYMOUR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 1,658,042	49,477
Intermediate sources	9,195	-
State sources	859,634	1,237
Federal sources	341,684	73,987
Total revenues	<u>2,868,555</u>	<u>124,701</u>
Expenditures:		
Instruction	1,900,080	-
Support services	932,927	-
Non-instructional programs	250	119,142
Other expenditures	244,597	-
Total expenditures	<u>3,077,854</u>	<u>119,142</u>
Excess (deficiency) of revenues over (under) expenditures	(209,299)	5,559
Other financing sources	<u>525</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(208,774)	5,559
Balances beginning of year	<u>724,693</u>	<u>20,363</u>
Balances end of year	<u><u>\$ 515,919</u></u>	<u><u>25,922</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amount Original	Variance Favorable (Unfavorable)
1,707,519	1,628,970	78,549
9,195	21,000	(11,805)
860,871	1,368,945	(508,074)
415,671	321,454	94,217
2,993,256	3,340,369	(347,113)
1,900,080	2,439,765	539,685
932,927	1,531,859	598,932
119,392	157,129	37,737
244,597	399,207	154,610
3,196,996	4,527,960	1,330,964
(203,740)	(1,187,591)	(983,851)
525	3,500	2,975
(203,215)	(1,184,091)	(980,876)
745,056	843,006	97,950
541,841	(341,085)	(882,926)

SEYMOUR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

SEYMOUR COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$154,789	154,789	0.0%	1,509,968	10.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEYMOUR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30,2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 126,798	73,553	7,898	208,249
Receivables:				
Property tax:				
Current year delinquent	1,256	-	549	1,805
Succeeding year	60,000	-	26,906	86,906
Total assets	188,054	73,553	35,353	296,960
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	1,568	-	1,393	2,961
Deferred revenue:				
Succeeding year property tax	60,000	-	26,906	86,906
Total liabilities	61,568	-	28,299	89,867
Unreserved fund balances	126,486	73,553	7,054	207,093
Total liabilities and fund balances	\$ 188,054	73,553	35,353	296,960

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2010

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 59,401	-	25,968	85,369
Other	13,177	78,252	266	91,695
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	72,578	78,252	26,234	177,064
Expenditures:				
Current				
Instruction:				
Other instruction	9,312	91,765	3,392	104,469
Support services:				
Administrative support	53,203	-	16,845	70,048
Plant operation	-	-	-	-
Student transportation	-	-	-	-
Other expenditures:				
Facilities acquisition	-	-	9,884	9,884
Total expenditures	62,515	91,765	30,121	184,401
Excess (deficiency) of revenues over (under) expenditures	10,063	(13,513)	(3,887)	(7,337)
Fund balances beginning of year	116,423	87,066	10,941	214,430
Fund balances at end of year	\$ 126,486	73,553	7,054	207,093

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2010

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ (3,871)	19,624	21,768	(6,015)
FFA	15,294	27,368	27,662	15,000
FCCLA	500	503	728	275
General	49,070	11,186	22,558	37,698
Vocal Music	4,450	1,420	1,193	4,677
Student Council	218	102	412	(92)
Cheerleaders	2,304	426	1,026	1,704
S Club	5,252	2,745	3,986	4,011
Post Prom	2,988	1,844	1,956	2,876
Youth Council	333	-	-	333
Speech	2,080	5,086	4,641	2,525
Wayne County Coalition	720	63	109	674
Lion's Back Stop	919	-	-	919
TAG	79	-	-	79
Class of 2010	2,478	171	2,649	-
Class of 2011	3,192	437	1,996	1,633
Class of 2012	610	5,449	576	5,483
Class of 2013	450	1,328	455	1,323
Class of 2014	-	500	50	450
Totals	<u>\$ 87,066</u>	<u>78,252</u>	<u>91,765</u>	<u>73,553</u>

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 1,360,441	\$ 1,305,467	\$ 1,286,880	\$ 1,237,767
Tuition	147,478	117,318	44,756	29,586
Other	150,123	101,399	135,171	142,413
Intermediate sources	9,195	21,552	20,805	20,976
State sources	859,634	1,336,590	1,465,071	1,501,281
Federal sources	341,684	183,211	185,390	218,008
Total	2,868,555	3,065,537	3,138,073	3,150,031
Expenditures:				
Instruction:				
Regular instruction	1,260,701	1,815,802	1,296,284	\$ 1,268,925
Special instruction	277,296		299,415	449,514
Other instruction	362,083	98,995	340,389	238,683
Support services:				
Student services	84,913	74,446	88,547	87,398
Instructional staff services	66,480	61,235	61,104	91,178
Administration services	356,514	346,908	338,057	318,580
Operation and maintenance of plant services	204,391	215,003	214,098	235,286
Transportation services	220,629	149,087	230,251	214,637
Central support	-	-	-	-
Non-instructional programs	250	250	250	250
Other expenditures:				
Facilities acquisition	47,898	45,310	69,468	-
Long-term debt:				
Principal	80,000	80,000	75,000	70,000
Interest and other charges	8,570	12,490	16,090	19,380
AEA flowthrough	108,129	102,462	101,679	101,544
Total	\$ 3,077,854	3,001,988	3,130,632	3,095,375

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
\$ 1,184,489	\$ 1,110,940	\$ 1,035,494	\$ 1,019,698	\$ 900,039	\$ 870,235
33,187	32,188	40,056	46,380	56,459	67,717
133,087	117,182	103,548	104,691	136,531	218,223
7,820	9,730	21,822	12,326	805	-
1,523,719	1,428,263	1,390,765	1,400,576	1,443,211	1,461,520
303,515	284,052	313,005	148,073	177,229	245,443
3,185,817	2,982,355	2,904,690	2,731,744	2,714,274	2,863,138

1,159,129	1,128,622	1,151,953	1,040,568	1,188,272	1,217,297
390,671	491,148	401,814	345,430	320,376	290,505
348,390	337,582	334,113	328,218	317,965	393,192
90,296	89,263	92,139	85,524	128,833	119,227
128,391	115,260	123,041	88,722	43,616	47,137
330,017	316,867	307,751	257,675	253,919	244,739
318,076	211,133	187,098	189,539	151,880	183,671
209,847	212,484	151,336	215,467	137,595	191,793
-	519	778	45,355	43,184	33,574
250	-	-	-	-	126,407
-	-	-	-	-	273
65,000	65,000	60,000	60,000	55,000	50,000
22,381	25,295	27,805	30,415	33,082	35,808
99,068	99,994	99,668	106,278	107,396	112,218
3,161,516	3,093,167	2,937,496	2,793,191	2,781,118	3,045,841

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Seymour Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 22, 2010, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Seymour Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Seymour Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Seymour Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the internal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seymour Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Seymour Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Seymour Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Seymour Community School District and other parties to whom Seymour Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Seymour Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

September 22, 2010

SEYMOUR COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part 1: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Disbursements for the year ended June 30, 2010, did not exceed the certified budget.
- IV-B-10 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 1V-D-10 Business Transactions – No business transactions were noted between the District and District officials or employees.
- IV-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were noted requiring Board approval which had not been approved by the Board.

- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$378,122
Statewide sales, services and use tax		140,702
Other Receipts		19,371
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$38,014	
Equipment	4,000	
Other improvements	66,222	
Transportation equipment		
Debt service for school infrastructure:		
General obligation debt	<u>88,570</u>	
		<u>(196,806)</u>
Ending balance		<u>341,389</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$1.11429	\$ 88,570
Physical plant and equipment levy	1.36171	108,236

- IV-M-10 Student Activity Receipts – For several years, grants have been received from Wayne County Coalition to be used to introduce nutritional eating ideas into the curriculum.

Recommendation – The money was not co-curricular in nature and should be deposited into the General Fund or Nutrition Fund.

Response – Will take under advisement.

Conclusion – This has been the response of the District for several years.

IV-N-10 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2010.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to sound financial condition. The Athletic account deficit continues to grow.

Response – Changes have been made and the district will continue to find alternatives to eliminate the deficits.

Conclusion – Response accepted.

IV-O-10 Student Activity – FFA – The club purchased feeder pigs for \$3,600 and resold the pigs to FFA members for \$2,100, a loss of \$1,500. The FFA sponsor announced that scholarships were to be issued to a few FFA members.

Recommendation – These activities did not meet the requirements of co-curricular activities, and should not be occurring.

Response – The FFA sponsor had not discussed these activities with any member of administration. The FFA chapter is very active with many members and we want to be very supportive of the chapter and sponsor. We will discuss future chapter activities with the sponsor.

Conclusion – Response accepted.

IV-P-10 Sale of Building – The district accepted a bid of \$525 for the sale of a building that was to be moved off of school grounds. The proceeds were deposited into the General Fund checking account.

Recommendation – The proceeds from the building sale should have been deposited into the PPEL fund as required by Code Section 297.22.

Response – We were not aware of this requirement. In the future we will deposit the proceeds from the sale of property into the PPEL fund.

Conclusion – Response accepted.